

Message Text

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PAGE 01 OTTAWA 01708 052230Z
ACTION EUR-12

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UNCLAS OTTAWA 01708

PASS TREASURY, FRB, CEA

E.O. 11652:N/A
TAGS: EFIN, CA
SUBJECT: CANADIAN RESERVES IN MARCH

REFS: A. OTTAWA 62; B. OTTAWA 1117; C. OTTAWA 1652

1. CANADIAN OFFICIAL INTERNATIONAL RESERVES ROSE U.S.DOLS 271.3 MILLION IN MARCH TO U.S.DOLS 3,970.1, BUT THIS TOTAL INCLUDED ADDITION TO RESERVES OF THE U.S.DOLS 750 MILLION DRAWDOWN FROM CANADA'S SHORT TERM EURO-U.S. DOLLAR STANDBY CREDIT FACILITY WITH CANADIAN CHARTERED BANKS (SEE REF C). LOSS IN U.S. DOLLAR RESERVES FROM BANK OF CANADA EXCHANGE MARKET INTERVENTION DURING MARCH WAS ABOUT 474 MILLION.

2. LOSSES THROUGH INTERVENTION IN DEFENSE OF CANADIAN DOLLAR EXCHANGE RATE SINCE THE BEGINNING OF THE YEAR HAVE TOTALLED NEARLY U.S.DOLS 1.5 BILLION (1,482 MILLION). THE U.S. DOLLAR COMPONENT OF RESERVES AT THE END OF MARCH WAS 1,671 MILLION, INCLUDING THE 750 MILLION INJECTION FROM THE STANDBY CREDIT.

UNCLASSIFIED

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PAGE 02 OTTAWA 01708 052230Z

3. PROCEEDS FROM THE U.S.DOLS 750 MILLION GOC BOND ISSUE IN NEW YORK WILL BE ADDED TO CANADIAN RESERVES IN APRIL AND WILL BE REFLECTED IN THE RESERVES PUBLISHED AT THE END OF THAT MONTH. THE GOC COULD CHOOSE TO USE PROCEEDS OF THE BOND ISSUE TO PAY OFF PART OR ALL OF THE DOLS 750 MILLION DRAWN LAST MONTH FROM SHORT-TERM CREDIT FACILITY. IT IS THUS POSSIBLE THE ADDITION TO RESERVES FROM THE BOND

ISSUE WOULD CANCEL OUT REPAYMENT OUT OF RESERVES OF THE SHORT-TERM CREDITS, RESULTING IN NO NET IMPACT ON RESERVES NEXT MONTH. HOWEVER, FURTHER MAJOR RESERVE LOSSES IN DEFENSE OF THE CANADIAN DOLLAR WOULD PROBABLY PRECLUDE THIS DEVELOPMENT.

4. UNDER THE TERMS OF ITS AGREEMENT WITH THE CANADIAN CHARTERED BANK CONSORCITUM, THE BANK OF CANADA CAN BORROW AGAINST THE CREDIT FACILITY FOR 1, 2, 3 OR SIX MONTHS. (SEE REF A FOR DETAILS). THE LENGTH OF THE TERM OF THE FUNDS DRAWN DOWN IS NOT ANNOUNCED.

5. THE CHANGE IN RESERVES IN MARCH INCLUDED AN INCREASE OF U.S.DOLS 18.5 MILLION IN SDR-DENOMINATED ASSETS, REFLECTING APPRECIATION OF THE U.S. DOLLAR VALUE OF THE SDR.

6. THE TABLE BELOW SHOWS CANADIAN RESERVE FIGURES AT THE END OF FEBRUARY AND MARCH, AND THE NET CHANGE, IN MILLIONS OF U.S. DOLLARS. BRACKETS () INDICATE DECREASE:

	FEBRUARY	MARCH	CHANGE
U.S. DOLLARS	1,395.4	1,671.1	275.7

OTHER FOREIGN CURRENCIES 17.9 17.5 (0.4)

GOLD 944.9 952.6 7.7
UNCLASSIFIED

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PAGE 03 OTTAWA 01708 052230Z

SDRS 501.8 504.9 3.1

IMF RESERVE POSITION 838.9 824.0 (14.9)

TOTAL 3,698.9 3,970.1 271.3
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